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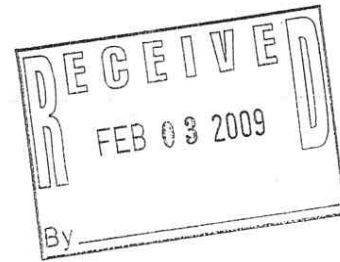
CASA DE ESPERANZA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007



December 5, 2008



To the Board of Directors of
Casa De Esperanza

In planning and performing our audit of the financial statements of Casa De Esperanza as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Casa De Esperanza's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

At present, the Company prepares its financial statements on the basis of cash receipts and disbursements, where by certain revenues and the related assets are recognized when received, and expenses are recognized when paid. We recommend that the accrual basis of accounting be considered. Under that basis, revenues and the related assets are recorded when earned and expenses are recorded when the obligation is incurred. The accrual basis is required by generally accepted accounting principles since it results in financial statements that reflect the complete effects of an entity's financial transactions for a period. The cash basis method is acceptable even though it is not generally accepted accounting principles.

The Company has the Quickbooks accounting software installed on their computer. However, at the present time the only transaction that is recorded on a timely basis is payroll. We recommend that the current accounting program be used to prepare the deposit slips to take to the bank and record all cash disbursement checks. This would eliminate errors in recording cash receipts and disbursements after the fact.

There were stale dated checks listed on the bank statement. These are checks that have been outstanding for several months. We recommend that checks, outstanding longer than two or three months, are investigated to try to determine why the check has not cleared and reissue a new check if necessary. If the check needs to be voided, we recommend a journal entry be made to void the check.

In all instances, receipts should be attached to the bottom of the check and/or the statement. It was noted that with the Wells Fargo Bank credit card, the receipts or invoices were not always attached to the statement. The receipts were also not included in the file.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management and would be pleased to discuss them in further detail if necessary.

Sincerely,
Sandra Carlos Accountancy Corp.


Sandra Carlos, MS, CPA

CASA DE ESPERANZA, INC.
TABLE OF CONTENTS
JUNE 30, 2008 AND 2007

Independent Auditor's Report	1
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities and Net Assets - Cash Basis	2
Statements of Revenues, Expenses and Changes in Net Assets - Cash Basis	3-4
Notes to Financial Statements	5-7
Board of Directors	8
SUPPLEMENTARY INFORMATION	
Statements of Approved Budget and Cumulative Expenditures For The Office of Emergency Services Criminal Justice Program Grants - Accrual Basis	10-11
Statement of Approved Budget and Cumulative Expenditures For The Department of Health Services - Maternal and Child Health Branch - Accrual Basis	12
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	13-14



INDEPENDENT AUDITORS' REPORT

**To The Board of Directors of
Casa de Esperanza, Inc.
Yuba City, California**

I have audited the accompanying Statements of Assets, Liabilities, and Net Assets – Cash Basis of Casa de Esperanza, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related Statements of Revenue, Expenses and Changes in Net Assets – Cash Basis for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on our audits.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the Assets, Liabilities, and Net Assets of Casa de Esperanza, Inc. as of June 30, 2008 and 2007, and its Revenues, Expenses and Changes in Net Assets for the years then ended on the basis of accounting described in Note 1.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Casa de Esperanza, Inc. taken as a whole. The accompanying Statements of Approved Budget and Cumulative Expenditures for the Office of Emergency Services Criminal Justice Program – Accrual Basis and Department of Health Services – Maternal and Child Health Branch – Accrual Basis are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sandra Carlos Accountancy Corp.

December 5, 2008

CASA DE ESPERANZA, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
JUNE 30, 2008 AND 2007

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
Current Assets:		
Savings	\$ 182,854	\$ 179,744
Cash - General	133,205	84,104
FEMA (Note 1)	24,688	549
Petty Cash	<u>200</u>	<u>200</u>
Total Current Assets	340,947	264,597
Office Furniture and Equipment, Net (Notes 1 and 2)	74,172	86,200
Worker's Comp Deposits	<u>1,873</u>	<u>1,873</u>
Total Assets	<u>\$ 416,992</u>	<u>\$ 352,670</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:	\$ 0	\$ 0
Net Assets:		
Unrestricted Net Assets	<u>416,992</u>	<u>352,670</u>
Total Net Assets	<u>\$ 416,992</u>	<u>\$ 352,670</u>

See accountant's audit report and notes to the financial statement.

CASA DE ESPERANZA. INC.
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Grants:		
MCH	\$ 221,329	\$ 222,419
OES - Domestic Violence	198,377	193,498
OES, Sexual Assault	163,986	108,334
MCH RPE	42,302	63,947
CAPIT	40,590	45,130
Presley Bill	39,164	34,806
California Wellness	35,000	-
Yuba County Dept of Social Services	28,347	33,248
FEMA	24,139	22,157
CSBG - Yuba and Sutter Counties	21,244	30,338
Sutter County CAP	20,000	23,686
EHAP	13,141	13,344
Yuba County CAP	-	40,056
Mental Health	-	7,000
Total Grants	<u>847,620</u>	<u>837,963</u>
Other:		
Donated Facilities (Note 1)	62,000	62,000
Event Fundraisers & Donations	26,398	41,316
United Way	17,081	16,209
Interest	3,111	4,382
Other Income - Mileage Reimbursement	1,397	-
Alta Funding	1,105	1,990
Refunds and Reimbursed Expenses	600	-
OES Interest Income	318	-
Annual Dinner	-	7,730
Total Other	<u>112,010</u>	<u>133,627</u>
Total Revenue	<u>\$ 959,630</u>	<u>\$ 971,590</u>

See accountant's audit report and notes to the financial statement.

CASA DE ESPERANZA, INC.
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
General Purpose Expenses:		
Salaries	\$ 502,548	\$ 534,576
Health Benefits	118,595	92,145
Rent	67,223	67,886
Payroll Taxes	36,576	38,146
Utilities	26,282	20,225
Repair and Maintenance (Note 5)	21,023	5,862
Insurance	16,586	16,241
Workers' Compensation	13,801	18,121
Travel, Training, Mileage and Meals	12,137	12,390
Depreciation	12,028	12,547
Retirement Plan	11,954	18,501
Food and Household	11,501	9,809
Telephone	10,658	11,525
Professional Fees	10,500	1,020
Office Supplies	4,720	6,296
Printing	4,209	5,748
Advertising and Promotion	3,370	5,650
Nonexpendable Equipment	2,054	-
Yard Maintenance	2,030	1,950
Membership	1,899	3,078
Books and Training Materials	1,256	3,118
Client Costs	967	1,357
Contract Labor	805	-
Postage	628	948
Community Functions	619	783
Architectural Services	530	-
Bank Service Charges	226	-
Dues, Subscriptions & Filing Fees	193	1,060
Fundraising Costs	132	9,409
Finance and Late Charges	98	137
Miscellaneous	75	452
Program Costs	51	873
Property Taxes	35	-
Filing Fees	-	353
Licenses and Permits	-	28
Total Expenses	895,308	900,234
Change in Net Assets	64,322	71,356
Net Assets at Beginning of Year	<u>352,670</u>	<u>281,314</u>
Net Assets at End of Year	<u>\$ 416,992</u>	<u>\$ 352,670</u>

See accountant's audit report and notes to the financial statements.

CASA DE ESPERANZA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Note 1 - Significant Accounting Policies

Organization Activities

Casa de Esperanza, Inc. is a non-profit organization in Sutter County which provides shelter for victims of domestic violence, sexual assault services, and child abuse prevention, intervention and treatment programs. They have also implemented pre-employment skills training, children/teen programs, community education and legal assistance in Yuba, Sutter and Colusa Counties. The organization has an agreement, which began on July 1, 2001 with the Sutter County Affordable Housing Commission and Sutter County Consolidated Housing Authority for the use of five units for stage 2 housing and services.

Basis of Accounting

Casa de Esperanza, Inc. maintains its accounts and prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenue is reported when cash is received and expenses are reported when cash is paid. The financial statements include a provision for depreciation of furniture, equipment and leasehold improvements. Amounts withheld from payroll for taxes, donations and insurance are recorded as liabilities. Therefore the statement of revenues and expenses includes cash transactions as adjusted for depreciation and payroll withholdings.

Fixed Assets

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range between 5 to 20 years. The renovations to the leased facility which were funded through grants have been capitalized. Depreciation is computed on the straight-line basis over the remaining life of the asset which may be longer than the existing lease which is four years, but could be extended.

Donated Goods and Services

Donated services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such goods and services. Nevertheless, a number of volunteers have donated their time in the Organization's programs.

A provision has been made for donated rent as the Organization leases this building from Sutter County for a nominal amount. The current fair rental value has been included in income as a donation and recorded in the expenses as rental expense.

Various donations of clothing and sundry goods are not included in these financial statements. We do not place a value on these miscellaneous donations.

Casa de Esperanza, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

Casa de Esperanza, Inc. is a nonprofit, public benefit corporation exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code. It has been classified as an organization that is not a private foundation.

Bank Accounts

The Federal Emergency Food and Shelter Program (FEMA) requires the funds be held in a bank account, separate from other funds. The organization has a separate checking account for the Sutter and Yuba County FEMA funds.

Note 2 - Office Furniture and Equipment, Net

	<u>2008</u>	<u>2007</u>
Fixed Assets consists of the following:		
Office Furniture	\$ 49,926	\$ 49,926
Office Equipment	82,345	82,345
Leasehold Improvements	<u>285,228</u>	<u>285,228</u>
	417,499	417,499
Less Accumulated Depreciation	<u>(343,327)</u>	<u>(331,299)</u>
Furniture and Equipment, Net of Depreciation	<u>\$ 74,172</u>	<u>\$ 86,200</u>
State and Federally Owned Assets	<u>\$ 86,457</u>	<u>\$ 84,403</u>

Casa de Esperanza, Inc.
Note to Financial Statements
June 30, 2008 and 2007

Note 3 - Insurance

The insurance coverage maintained by Casa de Esperanza, Inc. is summarized as follows:

Comprehensive General Liability	\$ 1,000,000
Directors and Officer's Liability	1,000,000
Building, \$500 Deductible	300,000
Business Personal Property, \$500 Deductible	150,000
Loss for Use of Property	150,000
Flood Insurance	100,000
Commercial Crime	25,000
Workers Compensation	Statutory

Note 4 - Operating Lease

Effective May 1, 2008 the County of Sutter and Casa de Esperanza modified the current lease. The original lease was dated January 1, 1987 under which the county leased to Casa de Esperanza the building which they use for their offices and shelter beds available to the clients. The lease was \$1 per year. The fifth modification extends the terms of the lease to be from January 1, 1987 through December 31, 2018. It also states that the Lessee shall pay rent in the amount of \$10 upon execution of the fifth modification of the lease for the 10 year period.

Note 5 Repairs and Maintenance

Casa de Esperanza hired a company to paint the building. This is considered a repair as it does not increase the life of the building and the building is not owned by Casa de Esperanza as stated in Note 4.

CASA DE ESPERANZA, INC.
JUNE 30, 2008

Board of Directors

Tracy Adkins
Mary Anderson
Debbie Baggett
Richard Grant
Dave Kugelman
Ginger Purewal
Paul Tupaz

CASA DE ESPERANZA, INC.
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

CASA DE ESPERANZA, INC.
STATEMENTS OF APPROVED BUDGET AND CUMULATIVE EXPENDITURES
FOR THE OFFICE OF EMERGENCY SERVICES
CRIMINAL JUSTICE PROGRAM GRANTS - ACCRUAL BASIS
FOR THE AUDIT PERIOD JULY 1, 2007 TO JUNE 30, 2008

Grant # RC07271031

	<u>Budget</u>				
	<u>VOCA</u>	State <u>RCP</u>	<u>Match</u>	<u>Total Grant</u>	<u>Cash Requested</u>
Personal Services	\$ 94,767	\$ 36,026		\$ 130,793	\$ 130,793
Operating Expenses	3,840	-	24,652	28,492	3,840
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ 98,607	\$ 36,026	\$ 24,652	\$ 159,285	\$ 134,633
Less Cash Match				<u>(24,652)</u>	
Total				<u>\$ 134,633</u>	<u>\$ 134,633</u>

CASA DE ESPERANZA, INC.
STATEMENTS OF APPROVED BUDGET AND CUMULATIVE EXPENDITURES
FOR THE OFFICE OF EMERGENCY SERVICES
CRIMINAL JUSTICE PROGRAM GRANTS - ACCRUAL BASIS
FOR THE AUDIT PERIOD JULY 1, 2007 TO JUNE 30, 2008

Grant # DV06031031

	<u>Budget</u>					<u>Total</u>	<u>Cash</u>
	<u>VOCA</u>	<u>FVPSA</u>	<u>VAWA</u>	<u>State</u> <u>DV</u>	<u>Match</u>	<u>Grant</u>	<u>Requested</u>
Personal Services	\$98,520	\$ 58,823	\$ 5,195	\$ 31,692	\$ 0	\$194,230	\$194,230
Operating Expenses	-	5,414	-	426	43,902	49,742	5,840
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$98,520</u>	<u>\$ 64,237</u>	<u>\$ 5,195</u>	<u>\$ 32,118</u>	<u>\$43,902</u>	<u>\$243,972</u>	200,070
Less Cash Match						(43,902)	
Total						<u>\$200,070</u>	<u>\$200,070</u>

CASA DE ESPERANZA, INC.
STATEMENT OF APPROVED BUDGET AND CUMULATIVE EXPENDITURES
FOR THE DEPARTMENT OF HEALTH SERVICES
MATERNAL AND CHILD HEALTH BRANCH - ACCRUAL BASIS
FOR THE AUDIT PERIOD JULY 1, 2007 TO JUNE 30, 2008

Grant # 05-45016

	<u>Budget</u>	<u>Claimed</u>	<u>Match</u>
Personal Services	\$ 165,324	\$ 165,324	
Operating Expenses	31,207	31,207	34,266
Capital Expenditures	-		-
Technical Assistance and Training	-		-
Indirect Costs	<u>24,799</u>	<u>24,799</u>	<u>10,000</u>
Totals	<u>\$ 221,330</u>	<u>\$ 221,330</u>	<u>\$ 44,266</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors of
Casa De Esperanza, Inc.**

We have audited the cash basis financial statements of Casa De Esperanza, Inc. (a nonprofit organization) as of and for the years ended June 30, 2008 and 2007 and have issued our report thereon dated December 5, 2008. Our report disclosed that as described in Note 1 to the financial statements, Casa de Esperanza, Inc. prepares its financial statements on the cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. Except as discussed in the preceding sentence, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Casa de Esperanza Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financials statements, but not for the purpose of expressing an opinion on the effectiveness of Casa de Esperanza's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Casa de Esperanza Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Casa de Esperanza's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Casa de Esperanza's financial statements that is more than inconsequential will not be prevented or detected by Casa de Esperanza's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Casa de Esperanza's internal control.

Our consideration of internal control or financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa de Esperanza's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of Casa de Esperanza in a separate letter dated December 5, 2008.

This report is intended for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities. This report is not intended to be used and should not be used by anyone other than these specified parties.

Sandra Carlos Accountancy Corp.

December 5, 2008